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EX PARTE OR LATE FILED

May 8, 1998

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MAY 11 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, Room 222
Washington, DC 20554

Re: Ex Parte CC Docket No. 97-250 – Tariffs Implementing Access Charge reform

Dear Ms Salas:

Safir Rammah and I, of AT&T, presented the attached material to R Lerner, J. Atkinson, B. Nixon, R. Kwiatkowski, J. Taubenblatt, C. Barnekov and P. D'Ari of the Competitive Pricing Division of the Common Carrier Bureau. This material explains AT&T's position of record in the above referenced Docket, as well as refining AT&T's position as a result of the LECs' Direct Case Rebuttals.

In accordance with Section 1.1206(a)(1) of the Commission's rules, two (2) copies of this notice are being submitted to the Secretary of the FCC today.

Sincerely,

Brian W. Masterson

Attachment

cc: R. Lerner	R. Kwiatkowski
J. Atkinson	B. Nixon
C. Barnekov	J. Taubenblatt
P. D' Ari	

Number of Copies rec'd
022
CODE

CC DOKET 97-250 DIRECT CASE INVESTIGATIONS

ISSUE: Methodology For Calculating Exogenous Cost Changes For Line Ports And End Office Trunk Ports.

A. The Commission has correctly concluded that price cap LECs should use local switching revenues for the purpose of determining the amount of exogenous cost adjustments to Traffic-Sensitive and Common Line baskets. [Direct Case Order, para 52].

B. The Commission must adopt a practical approach for inclusion of line-port costs in per-line BFP for rate making purposes. A number of LECs agree that treating line port costs exactly as BFP for rate making will be problematic because it would mean that LECs will have to project their line port costs each year.

- GTE agrees with AT&T that future forecasting of line port costs will be difficult. (GTE Direct Case, page 7).
- Ameritech suggests that to avoid the forecasting problem in the future filings, the per-port cost of line ports be either frozen at its current level or set at today's level adjusted by PCI. (Ameritech Direct Case, page 4).
- CBT has proposed that line port costs could grow at the same rate as the BFP revenue requirement, or at the same rate as EUCL, to avoid forecasting of line port costs. (CBT Direct Case page 7).

AT&T's simple and practical rate making proposal for line side port costs will avoid all problems associated with treating line port costs exactly as BFP for rate making. AT&T has proposed that initially a per-line, line side port cost should developed by dividing the total line side exogenous cost with the number of loops and should be added to per-line BFP. For future filings, the initial per-line line side cost should be changed equal to the change in Common Line PCI. This will avoid:

- The need for future forecasting of line side costs.
- Unnecessary increase in CCL rates and will ensure recovery of line side costs on per line basis, to the maximum possible extent, as required by the Access Reform Order.
- Non-price cap treatment of line-side port costs.

ISSUE: Under-estimation of Non-Primary Lines.

- All LECs and IXC are supporting the elimination of the Primary and Non-Primary Residential Line definition.

- If this two-tier system cannot be eliminated, the Commission should adopt the "service address" definition until the investigation in CC Docket 97-181 is completed.
- GTE clearly stated in its Rebuttal that "...customers have predictably begun to "game" the system to evade ...charges." GTE is the only LEC using the Billing Account definition that admits that gaming is taking place.
- Frontier incorrectly states that the service address definition is not easily administered or verified. The service address has to be in their system and they can count for Primary EUCLs. They can subtract the primary total from the total number of residential lines to get the Non-Primary Residential EUCLs.
- SPRINT utilized US West to attack AT&T's reasonableness criteria. They did not reiterate that AT&T's service address definition is the first line at a service address without any additional criteria. This definition may not capture the scenarios of roommates or in-laws living relationships, however it minimizes any gaming and proliferation of accounts due to the billing account definition.
- Bell Atlantic and SPRINT acknowledged the EUCL count errors pointed out by AT&T and stated that they refiled the numbers.
- SBC stated that they completed the Commission's Primary/Non-Primary Line Definition Appendix B contrary to AT&T's comments. SBC was not able to identify the Primary and Non-Primary customers using the examples. SBC was the only LEC that had to manipulate the examples in order to identify the EUCL type.

ISSUE: Distribution of USF Exogenous Costs.

- The Commission should order Ameritech to correct their USF exogenous cost distribution among the price cap baskets . As discussed in AT&T's petition, Ameritech has identified the Trunking basket's end user revenue as only \$1.2 M, when it should have been \$67.6 M. (AT&T's detailed explanation on this issue is on petition's page 32). See AT&T's Exhibit USF 1 for the correct distribution.
- Commission should refine the guidelines on the proper method of distribution of USF. Specifically, the Commission should ensure that the LECs use Current end-user revenues within the Trunking basket, and should require the LECs to provide detailed work papers and explanations with their annual filing.

- If the Commission plans to allow the use of the 'minority' method, AT&T strongly requests that the Commission: 1) mandate that Form 457 be part of the LECs TRP filing, and 2) provide clear guidelines of what lines from the Form 457 can be mapped to what price cap basket.
- The 'majority' view (end-user revenues based on actual billing records) allows the Commission and the IXCs to verify, challenge, or comment on the interstate end-user trunking basket revenues reported by Price Cap LECs.
- The 'minority' method (end user revenues as reported in form 457) is not designed to, nor does it give, any guidance as to the distribution of exogenous costs within each basket. Due to unclear guidelines, there is an inconsistency of what lines from Form 457 be mapped to what price cap basket. i.e. Ameritech & Cincinnati Bell (AT&T's petition, page 31).
- Form 457 is submitted only to USAC, not the industry, and is therefore unverifiable by third parties.
- LECs that employed the 'minority' method made errors in their calculations: Cincinnati Bell used the 'minority' method, and their numbers are not verifiable. See AT&T's exhibit USF 2; if CBTC had used the 'majority' method, more USF exogenous cost would shift to the IXC basket (\$84K).

ISSUE: Over-statement of Current CCL Rates Due to Prior Underforecasting of BFP Revenue Requirements.

Bell Atlantic

There were two arguments against AT&T's intervention: (1) today's rules require no true-up of forecast vs. actual per line BFP, so a rule-making would be required, and, (2) AT&T's proposed methodology and actual calculations are "riddled with errors", and do not provide a reasoned basis for changes to tariffed rates.

Regarding errors, **BA-South** claims that failure to include each in-year filing accounts for our over estimate of the CCL impact (and cite 1996-97 as a test year example). Further, they argue against AT&T's claim that wrong EUCL rates were applied and carried forward to subsequent years. They claim that since AT&T used a composite EUCL rate from a previous Annual Filing for any given year, and that such a composite rate was based on the prior year's demand, that AT&T was essentially using two year old demand data to create the CCL rate.

Comments:

First, by calculating the change between “proposed” and subsequent “existing”, such as AT&T has done, absolutely captures the magnitude of the change. Their second contention is more difficult to understand. Instead of incorporating an effective rate (which is the basis for their revenue collection), they seek to “recreate” what the effective rate *would be* if current demand were used, thus raising the “effective” cap and allowing the new proposed cap to be further overstated.

BA-North, challenged AT&T’s determination that a “mathematical” error relative to their rate cap occurred in 1992, and was carried forward through all years. They explain that the mathematical error AT&T claims is in fact the difference between the existing Gross Income Tax (which AT&T used) and a changed rate that became effective in 1992 (that they used). In their 1992 Annual Access Filing, they supposedly made an exogenous reduction which captured this change.

Response:

AT&T has confirmed that BA-North’s numbers are correct. The change was not displayed in the TRP, but rather as a reference in a footnote. However, even by their calculation the cumulative overcharge was \$36M for all years (versus AT&T’s earlier estimate of \$50M).

Southwestern Bell

SBC takes the position that any CCL adjustment is unwarranted. However, if the Commission determines one is required, it would not be applicable to SBC since their rates are understated (which AT&T conceded). They do contest AT&T’s calculation of excess billing for 1993/94 in a footnote. They contend that the rate comparison AT&T used was incorrect, in that the rate had never gone into effect. Rather, the subsequent GSF filing rate should be used.

Response:

Their \$4.4M calculation is based on GSF rates relative to 1993 rates that never went into effect. In reality then, the comparison should be GSF relative to 1992. Basically, they used 1993 as a step to insert “existing” rates that were higher, even though the rates were never in effect. At&T still believes that the cumulative CCL overcharge is \$ 25.6 M.

US West

Does not challenge AT&T's calculations.

Sprint

They do not argue against AT&T's petition directly. Rather, briefly reiterate that they support use of historical instead of forecasted information to develop CCL rates. As part of this, any adjustment to prior years imprecise forecast must include a mechanism by which end user charges can be recovered.

Response:

Going forward, a new approach could be employed. However, AT&T has demonstrated that a current imbalance exists in the rates which must be resolved.

ISSUE: Miscalculation of TIC Associated with the Use of 9000 MOU's.

Bell Atlantic has challenged AT&T (BA Direct Case Reply, page 17) for showing in AT&T's Petition, Exhibit 9000 MOU, how much the LEC's should have adjusted their TIC's for the use of actual minutes of use. They cite AT&T for not including the underlying data that yielded these results, and included their own Exhibits 2 showing their computations of what the revised TIC adjustments should be. The results show less of a change in the exogenous costs for BA-N and BA-S than did AT&T's Exhibit 9000 MOU.

The discrepancy in the results can be explained in two ways. For one, BA used a different set of LTR numbers than AT&T did. Their computations for BA-N are based on NYNEX transmittal 263, while AT&T's were based on transmittal 221. The DS-3 and DS-1 rates are the same in the two transmittals, but there is a slight difference in the copper/fiber ratio and in the fixed and per mile demand. Neither of these differences is enough to make a significant difference in the result, which is demonstrated by AT&T's calculated rates and the LECs being nearly identical.

The second issue, which is significant, is that in their workpaper Exhibit 2 for both BA-N and BA-S, they have adjusted their 1992 base period demand in a way that significantly reduces their exogenous impacts. Instead of multiplying the difference in the fixed and per mile rates by the base period demand that was used to initially establish the TST and TIC "R" amounts, they have reduced these demand amounts in Column D of their Exhibit 2 and footnote to show that they are netting out the 1996 Host/Remote "factor".

What BA did was take the combined 1996 base period TST fixed and per mile demand units, added the 1996 host/remote minutes, and then expressed the TST minutes as a percent of the combined total for fixed and per mile. These fixed and per mile factors were then multiplied against the actual 1992 fixed and per mile demand for TST. AT&T comes close to verifying the BA-N revised number against the original LTR demand

count, and the BA-S fixed amount is close, but the BA-S per mile amount appears to be low.

In any event, the FCC Order did not mention netting of the 1992 demand for the host/remote. LECs were supposed to multiply their 1992 Base period demand by both the actual rates based on the 9000 MOU factor and the recalculated rates based on the Actual MOU's; then take the difference as percent of the original TIC and TST revenues and adjust their 1997 SBI's by that amount. None of the other LEC's who submitted Direct Case Workpapers revising their TIC exogenous changes, did a netting of this type for H/R. Since we are concerned with subsidy amounts that may have been in the 1993 TIC, when there was no specific H/R demand, BA cannot claim this retroactive adjustment to 1992 demand.

The attached Exhibit demonstrates the exogenous amounts as AT&T believes they should be calculated. The delta in the per minute and per mile rates are multiplied by the total TST fixed and per mile demand amounts as they were reported by BA in their Direct Case Workpaper 2, but without the H/R factor. The resulting TIC reductions are larger than what BA is showing on their Exhibit 2.

Bell Atlantic also criticized AT&T for stating in its Petition on Direct Cases that BA's outcome in the initial filing, which was to reduce TIC, was about "what would have been expected" given that they had not had a significant change in the underlying factors, such as DS-3 and DS-1 rates, since their initial rates were developed in 1993, and they had a low actual number of minutes of use. They cite AT&T's Exhibit showing an overall net change of over \$4M (BA-N and BA-S) as evidence to the contrary and cite AT&T for being inconsistent.

AT&T erred in not specifying that the comments in AT&T's Petition, footnote 43, applied only to Bell Atlantic-South. In comparing the changes from 1993 to 1997, the context for referring to Bell Atlantic would be the current BA-South. In their comments, Bell Atlantic tends to combine the two entities with the inference being that what applies to one applies equally to the other, which is not always necessarily the case.

In the case of BA-N/Nynex, their revised TIC adjustment is now a reduction to TIC, where in the initial filing it was an increase, despite the fact that their MOU's were under 9000. There is an error on AT&T's Exhibit 9000 MOU. The 12/17/97 amount is represented as a negative, when it should be a positive. BA themselves, in their Exhibit 2 for BA-N, admit that they should have taken over \$3M out of TIC instead of increasing it by \$113K (AT&T's number would be \$5.6M since AT&T based it on all 1992 TST demand). BA-N's initial outcome is not "what would have been expected". In fact, it was one of many cases where a LECs with MOU's under 9000 increased their TIC. BA-S's initial outcome, a decrease to TIC, is in range of what AT&T had expected for companies with less than 9000MOU, although the amounts were not necessarily correct as computed, and the subsequent workpapers bear this out. The point AT&T was trying to make, is that BA-S had a reduction to TIC because it had both low actual MOU's and

relatively stable rates since 1993, thus their recalculation was affected less by the rate and demand changes since 1993 than some other LEC's. In fact, they took more out of TIC than they should have.

Aliant agrees with the FCC proposal to use 1993 data, and sees this as an accurate way to compute the exogenous change needed to reflect the use of actual minutes of use rather than 9000. (p4)

Bell South continues to argue about the inclusion or exclusion of multiplexing costs and the impact on the net TIC change.

Their initial argument is that, if taken together, the impact of their change in the minutes of use formula and the removal of two multiplexers from TIC resulted in a net decrease to TIC. Thus they argue that their original methodology must have been correct.

What Bell South did in their initial filing was compute a common transport mux minute of use rate based on the cost of two multiplexers (some other LEC's also did this, i.e. SWBT). The new rate times demand for this element was added to the TST band and deducted from the TIC band as an exogenous change. They also developed a new rate for tandem switched transport **with no multiplexers**, using the actual minutes of use instead of 9000. This rate times 1996 demand was compared to the existing rate times 1996 demand, with the difference representing the exogenous impacts on TIC and TST. This was illustrated in Appendix C, Workpaper Com-Trans, Transmittal #434.

This last step is clearly not how AT&T suggested the TIC change for the 9000 vs. Actual MOU's should be developed, and reflects the exact problem that AT&T had identified in its Petition, namely that the LEC's were not properly identifying the impact of the change in the MOU assumption. Bell South's methods, like all the others, improperly threw in the impacts of factor changes since 1993, distorting the impact of the MOU assumption, and actually made it even more unclear by doing it without any multiplexers. This makes it impossible to track the TIC impact from its inception in 1993, when one mux was part of the TST rate development.

The fact that their improper method, when combined with a removal of multiplexer costs, resulted in the expected net decrease to TIC in the initial filing does not validate their method. The FCC was expecting to see a decrease based strictly on the change in MOU formula, assuming that MOU's would be less than 9000, which was the case with Bell South. The adjustment for the second mux that had been in TIC was a separate issue that merely serves to obfuscate the 9000 MOU issue.

Had Bell South done the MOU adjustment properly when they filed their access reform tariffs, they would have decreased their TIC by (\$6.125M) instead of increasing it by \$2.189M. This (\$6.125) reduction would have accounted for one multiplexer. They could

have then removed the second through a separate calculation ,which would also have been a reduction in TIC.

Bell South argues in its rebuttal that the TIC reduction resulting from the mux removal, (\$6.013M) cancels out the LTR method TIC change (\$6.125). In reality, the (\$6.125) reflects a correct determination of the TIC change resulting from the change in MOU using the 1993 factors, including one multiplexer in the existing and recomputed TST rates. This is Bell South's own number. AT&T mistakenly cited them for using the wrong transmittal for the 1993 TIC amount, but theirs is correct. So their (\$6.125) cited in their direct case Appendix D page 1 of 1 is absolutely correct, and this is the same amount that AT&T showed in its Petition on Direct Cases.

Their Appendix D, exhibit 4, attempts to illustrate that their net TIC reduction of (\$9.836M) in Transmittal 434 was correct as filed. Unfortunately, the entire calculation builds on the incorrect initial amount of \$2.189M, which they claim represents the Net Exogenous Change due to Recalculation of TST rates and removal of one multiplexer. This starting point is wrong for two reasons. For one, it does not isolate the impact of the 9000 MOU factor. The Exogenous total is based on the revenue difference resulting from recalculation of the TST rates using actual MOU's, no multiplexing and current DS-3 and DS-1 rates, compared to the then current TST per minute and per mile rates times base period demand. This is the kind of murky formulation that AT&T objected to initially, and which the Commission agreed did not properly capture the effect of the MOU assumption change. Whether it was computed with one multiplexer, two multiplexers or none is immaterial.

Their Appendix D is not clear, but essentially the steps they show in 2 and 3 are unnecessary. What they should show is the correct amount in step 1 (\$6.125M), and the amount in line 4 (\$6.013M), which reflects the cost of the second multiplexer also coming out of TIC. The sum of these two \$(12.138) would represent the correct total adjustment to TIC for the two required adjustments. Their Exhibit is confused, is based on an improper starting point and is obfuscates the issue. The recalculation of the TST and TIC amounts for 9000 MOU are related but separate issues. Only Bell South is continuing to pursue this argument.

Exhibit BAS-1
Tandem Switched Transport
Rate Development Model

Using 9000 Minutes per Trunk
Bell Atlantic-S

<u>Line #</u>	<u>Rate Development Item</u>	<u>Formula</u>	<u>Amount</u>	<u>Source</u>
1	DS3 DTT Channel Mileage- Fixed rate		\$ 854.34	BA Direct Case Exhibit 2
2	DS3-DS1 Mux Rate		\$ 517.53	BA Direct Case Exhibit 2
3	DS3 Fixed Sum Rate	Line 1 + Line 2	\$ 1,371.87	
4	DS3 Assumed MOU per VG Equivalent Trunk	9000* 672	6,048,000	
5	DS3 Fixed Rate Per MOU Equivalent	Line 3 / Line 4	\$ 0.000227	
6	Fiber Deployment %		71.00%	BA Direct Case Exhibit 2
7	DS3 Weighted Fixed Rate per MOU Equivalent	Line 5 * Line 6	\$ 0.000161	
8	DS3 DTT Channel Mileage- Per Mile Rate		\$ 208.39	BA Direct Case Exhibit 2
9	DS3 Assumed MOU per VG Equivalent Trunk	AVG MOU* 672	6,048,000	
10	DS3 Per Mile Rate Per MOU Equivalent	Line 8 / Line 9	\$ 0.000034	
11	Fiber Deployment %		71.00%	BA Direct Case Exhibit 2
12	DS3 Weighted Per Mile Rate per MOU Equivalent	Line 10 * Line 11	\$ 0.000024	
13	DS1 DTT Channel Mileage- Fixed rate		\$ 49.89	BA Direct Case Exhibit 2
14	DS1 Assumed MOU per VG Equivalent Trunk	AVG MOU *24	216,000	
15	DS1 Fixed Rate Per MOU Equivalent	Line 13 / Line 14	\$ 0.000231	
16	Copper Deployment %		29.00%	BA Direct Case Exhibit 2
17	DS1 Weighted Fixed Rate per MOU Equivalent	Line 15 * Line 16	\$ 0.000067	
18	DS1 DTT Channel Mileage- Per Mile Rate		\$ 21.06	BA Direct Case Exhibit 2
19	DS1 Assumed MOU per VG Equivalent Trunk	AVG MOU * 24	216,000	
20	DS1 Per Mile Rate Per MOU Equivalent	Line 18 / Line 19	\$ 0.000098	
21	Copper Deployment %		29.00%	BA Direct Case Exhibit 2
22	DS1 Weighted Per Mile Rate per MOU Equivalent	Line 20 * Line 21	\$ 0.000028	
25	Tandem Switched Transport Fixed Minutes		10,005,807,922	BA Direct Case Exhibit 2
26	Tandem Switched Transport Facility Minutes		102,381,228,635	BA Direct Case Exhibit 2 (without 1996 H/R factor)
27	Tandem Switched Transport Fixed Minute Revenue	Line 23 * Line 25	\$ 2,281,324.21	
28	Tandem Switched Transport Facility Minute Revenue	Line 24 * Line 26	\$ 5,426,205.12	
29	Total Tandem Switched Transport Revenue	Line 27 + Line 28	\$ 7,707,529.32	

Exhibit BAS-2
Tandem Switched Transport
Rate Development Model

Using 5820 Minutes per Trunk
Bell Atlantic- S

<u>Line #</u>	<u>Rate Development Item</u>	<u>Formula</u>	<u>Amount</u>	<u>Source</u>
1	DS3 DTT Channel Mileage- Fixed rate		\$ 854.34	BA Direct Case Exhibit 2
2	DS3-DS1 Mux Rate		\$ 517.53	BA Direct Case Exhibit 2
3	DS3 Fixed Sum Rate	Line 1 + Line 2	\$ 1,371.87	
4	DS3 Assumed MOU per VG Equivalent Trunk	5820* 672	3,911,040	
5	DS3 Fixed Rate Per MOU Equivalent	Line 3 / Line 4	\$ 0.000351	
6	Fiber Deployment %		71.00%	BA Direct Case Exhibit 2
7	DS3 Weighted Fixed Rate per MOU Equivalent	Line 5 * Line 6	\$ 0.000249	
8	DS3 DTT Channel Mileage- Per Mile Rate		\$ 208.39	BA Direct Case Exhibit 2
9	DS3 Assumed MOU per VG Equivalent Trunk	5820* 672	3,911,040	
10	DS3 Per Mile Rate Per MOU Equivalent	Line 8 / Line 9	\$ 0.000053	
11	Fiber Deployment %		71.00%	BA Direct Case Exhibit 2
12	DS3 Weighted Per Mile Rate per MOU Equivalent	Line 10 * Line 11	\$ 0.000038	
13	DS1 DTT Channel Mileage- Fixed rate		\$ 49.89	BA Direct Case Exhibit 2
14	DS1 Assumed MOU per VG Equivalent Trunk	5820 *24	139,680	
15	DS1 Fixed Rate Per MOU Equivalent	Line 13 / Line 14	\$ 0.000357	
16	Copper Deployment %		29.00%	BA Direct Case Exhibit 2
17	DS1 Weighted Fixed Rate per MOU Equivalent	Line 15 * Line 16	\$ 0.000104	
18	DS1 DTT Channel Mileage- Per Mile Rate		\$ 21.06	BA Direct Case Exhibit 2
19	DS1 Assumed MOU per VG Equivalent Trunk	5820 *24	139,680	
20	DS1 Per Mile Rate Per MOU Equivalent	Line 18 / Line 19	\$ 0.000151	
21	Copper Deployment %		29.00%	BA Direct Case Exhibit 2
22	DS1 Weighted Per Mile Rate per MOU Equivalent	Line 20 * Line 21	\$ 0.000044	
25	Tandem Switched Transport Fixed Minutes		10,005,807,922	BA Direct Case Exhibit 2
26	Tandem Switched Transport Facility Minutes		102,381,228,635	BA Direct Case Exhibit 2 (without 1996 H/R factor)
27	Tandem Switched Transport Fixed Minute Revenue	Line 23 * Line 25	\$ 3,532,050.20	
28	Tandem Switched Transport Facility Minute Revenue	Line 24 * Line 26	\$ 8,395,260.75	
29	Total Tandem Switched Transport Revenue	Line 27 + Line 28	\$ 11,927,310.94	

Exhibit BAN-1
 Tandem Switched Transport
 Rate Development Model

Using 9000 Minutes per Trunk
 Bell Atlantic-N

<u>Line #</u>	<u>Rate Development Item</u>	<u>Formula</u>	<u>Amount</u>	<u>Source</u>
1	DS3 DTT Channel Mileage- Fixed rate		\$ 1,110.19	BA Direct Case Exhibit 2
2	DS3-DS1 Mux Rate		\$ 1,336.97	BA Direct Case Exhibit 2
3	DS3 Fixed Sum Rate	Line 1 + Line 2	\$ 2,447.16	
4	DS3 Assumed MOU per VG Equivalent Trunk	9000* 672	6,048,000	
5	DS3 Fixed Rate Per MOU Equivalent	Line 3 / Line 4	\$ 0.000405	
6	Fiber Deployment %		79.30%	BA Direct Case Exhibit 2
7	DS3 Weighted Fixed Rate per MOU Equivalent	Line 5 * Line 6	\$ 0.000321	
8	DS3 DTT Channel Mileage- Per Mile Rate		\$ 101.22	BA Direct Case Exhibit 2
9	DS3 Assumed MOU per VG Equivalent Trunk	AVG MOU* 672	6,048,000	
10	DS3 Per Mile Rate Per MOU Equivalent	Line 8 / Line 9	\$ 0.000017	
11	Fiber Deployment %		79.30%	BA Direct Case Exhibit 2
12	DS3 Weighted Per Mile Rate per MOU Equivalent	Line 10 * Line 11	\$ 0.000013	
13	DS1 DTT Channel Mileage- Fixed rate		\$ 90.66	BA Direct Case Exhibit 2
14	DS1 Assumed MOU per VG Equivalent Trunk	AVG MOU *24	216,000	
15	DS1 Fixed Rate Per MOU Equivalent	Line 13 / Line 14	\$ 0.000420	
16	Copper Deployment %		20.70%	BA Direct Case Exhibit 2
17	DS1 Weighted Fixed Rate per MOU Equivalent	Line 15 * Line 16	\$ 0.000087	
18	DS1 DTT Channel Mileage- Per Mile Rate		\$ 25.79	BA Direct Case Exhibit 2
19	DS1 Assumed MOU per VG Equivalent Trunk	AVG MOU * 24	216,000	
20	DS1 Per Mile Rate Per MOU Equivalent	Line 18 / Line 19	\$ 0.000119	
21	Copper Deployment %		20.70%	BA Direct Case Exhibit 2
22	DS1 Weighted Per Mile Rate per MOU Equivalent	Line 20 * Line 21	\$ 0.000025	
[REDACTED]				
25	Tandem Switched Transport Fixed Minutes		15,506,804,524	BA Direct Case Exhibit 2
26	Tandem Switched Transport Facility Minutes		284,705,823,446	BA Direct Case Exhibit 2 (without 1996 H/R factor)
27	Tandem Switched Transport Fixed Minute Revenue	Line 23 * Line 25	\$ 6,326,776.25	
28	Tandem Switched Transport Facility Minute Revenue	Line 24 * Line 26	\$ 10,818,821.29	
29	Total Tandem Switched Transport Revenue	Line 27 + Line 28	\$ 17,145,597.54	

Exhibit BAN-2
Tandem Switched Transport
Rate Development Model

Using 7037 Minutes per Trunk
Bell Atlantic-N

<u>Line #</u>	<u>Rate Development Item</u>	<u>Formula</u>	<u>Amount</u>	<u>Source</u>
1	DS3 DTT Channel Mileage- Fixed rate		\$ 1,110.19	<u>Source</u>
2	DS3-DS1 Mux Rate		\$ 1,336.97	BA Direct Case Exhibit 2
3	DS3 Fixed Sum Rate	Line 1 + Line 2	\$ 2,447.16	BA Direct Case Exhibit 2
4	DS3 Assumed MOU per VG Equivalent Trunk	7037* 672	4,728,864	
5	DS3 Fixed Rate Per MOU Equivalent	Line 3 / Line 4	\$ 0.000517	
6	Fiber Deployment %		79.30%	
7	DS3 Weighted Fixed Rate per MOU Equivalent	Line 5 * Line 6	\$ 0.000410	BA Direct Case Exhibit 2
8	DS3 DTT Channel Mileage- Per Mile Rate		\$ 101.22	
9	DS3 Assumed MOU per VG Equivalent Trunk	7037* 672	4,728,864	BA Direct Case Exhibit 2
10	DS3 Per Mile Rate Per MOU Equivalent	Line 8 / Line 9	\$ 0.000021	
11	Fiber Deployment %		79.30%	
12	DS3 Weighted Per Mile Rate per MOU Equivalent	Line 10 * Line 11	\$ 0.000017	BA Direct Case Exhibit 2
13	DS1 DTT Channel Mileage- Fixed rate		\$ 90.66	
14	DS1 Assumed MOU per VG Equivalent Trunk	7037* 24	168,888	BA Direct Case Exhibit 2
15	DS1 Fixed Rate Per MOU Equivalent	Line 13 / Line 14	\$ 0.000537	
16	Copper Deployment %		20.70%	
17	DS1 Weighted Fixed Rate per MOU Equivalent	Line 15 * Line 16	\$ 0.000111	BA Direct Case Exhibit 2
18	DS1 DTT Channel Mileage- Per Mile Rate		\$ 25.79	
19	DS1 Assumed MOU per VG Equivalent Trunk	7037* 24	168,888	BA Direct Case Exhibit 2
20	DS1 Per Mile Rate Per MOU Equivalent	Line 18 / Line 19	\$ 0.000153	
21	Copper Deployment %		20.70%	
22	DS1 Weighted Per Mile Rate per MOU Equivalent	Line 20 * Line 21	\$ 0.000032	BA Direct Case Exhibit 2
25	Tandem Switched Transport Fixed Minutes		15,506,804,524	
26	Tandem Switched Transport Facility Minutes		284,705,823,446	BA Direct Case Exhibit 2 BA Direct Case Exhibit 2
27	Tandem Switched Transport Fixed Minute Revenue	Line 23 * Line 25	\$ 8,079,045.16	(without 1996 H/R factor)
28	Tandem Switched Transport Facility Minute Revenue	Line 24 * Line 26	\$ 13,950,585.35	
29	Total Tandem Switched Transport Revenue	Line 27 + Line 28	\$ 22,029,630.51	recalculated total

Exhibit 2

Tandem Switched Transport
TIC Exogenous Cost Development

Impact of change in Minute of Use per Voice Grade Trunk

	Line #	Bell Atlantic- N	Source	Bell Atlantic- S	Source
1993 Tandem Switched Transport Revenue as Filed Using 9000 Average MOU per Trunk	1	\$ 17,145,597.54	Exhibit BAN-1 Line 29	\$ 7,707,529.32	Exhibit BAS-1 Line 29
1993 Tandem Switched Transport Revenue Recalculated Using Actual MOU per Trunk from 11-26-97 filing	2	\$ 22,029,630.51	Exhibit BAN-2 Line 29	\$ 11,927,310.94	Exhibit BAS-2 Line 29
Difference	3	\$ 4,884,032.97	Line 2 - Line 1	\$ 4,219,781.62	Line 2 - Line 1
Re-calculated Exogenous Change in TIC for 11-26-97 filing	4	\$ (4,884,031.97)	= 1- line 3	\$ (4,219,780.62)	= 1- line 3

R Value True-up of Recalculated Exogenous Change

1993 Interconnection Band Total Revenues	5	\$ 562,273,751	BA Direct Case Exhibit 2 Col F	\$ 351,222,542	BA Direct Case Exhibit Col F
6-30-97 Interconnection Band Total Revenues	6	\$ 647,052,583	BA Direct Case Exhibit 2 Col H	\$ 399,813,398	BA Direct Case Exhibit Col H
Percent change in Interconnection Revenues, 1993-1997	7	15.08%	(Line 6-Line 5)/Line 5	13.83%	(Line 6-Line 5)/Line 5
<u>R Value adjusted recalculated Exogenous Change in TIC</u>	8	<u>\$ (5,620,439)</u>	<u>(Line 4*Line 7)+ Line 4</u>	<u>\$ (4,803,578)</u>	<u>(Line 4*Line 7)+ Line 4</u>
Filed Exogenous Increase to TIC, 11-26-97	9	\$ 113,314	BA Direct Case Exhibit 2 Col J	\$ (7,016,664)	BA Direct Case Exhibit 16-2
Incremental TIC Adjustment required	10	\$ (5,733,753)	Line 8 + Line 9	\$ 2,213,086	Line 8 + Line 9
Incremental TIC Adjustment reported by Bell Atlantic	11	\$ (3,457,024)	BA Direct Case Exhibit 2 Col J	\$ 3,226,821	BA Direct Case Exhibit 2 Col J
Error due to H/R factor	12	\$ 2,276,729		\$ 1,013,735	

Exhibit 2

Tandem Switched Transport
TIC Exogenous Cost Development

Impact of change in Minute of Use per Voice Grade Trunk

	Line #	Bell Atlantic- N	Source	Bell Atlantic- S	Source
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1993 Tandem Switched Transport Revenue Recalculated Using Actual MOU per Trunk from 11-26-97 filing	2	\$ 22,029,630.51	Exhibit BAN-2 Line 29	\$ 11,927,310.94	Exhibit BAS-2 Line 29
Difference	3	\$ 4,884,032.97	Line 2 - Line 1	\$ 4,219,781.62	Line 2 - Line 1
Re-calculated Exogenous Change in TIC for 11-26-97 filing	4	\$ (4,884,031.97)	= 1- line 3	\$ (4,219,780.62)	= 1- line 3

R Value True-up of Recalculated Exogenous Change

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Error due to H/R factor	12	\$ 2,276,729		\$ 1,013,735	